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CONFIDENTIAL

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March 3, 1961

Honorable Dean Rusk
Secretary of State
Washington, D. C.

Dear Mr. Secretary:

As promised, I am sending you herewith transcription of discussion we had with Dr. Armand Hammer, who visited us last Saturday after his return from Moscow.

The first page of this report is given over to two other countries, and the last part to his discussion of the Soviet Union, Mr. Khrushchev, and others.

Since Ambassador Thompson was good enough to come over to the office and talk with me about our proposed visit with Mr. Menshikov, as well as Dr. Hammer's visit, I am enclosing copy of this letter and report which you may want to send to the Ambassador.

As I previously told you, there was nothing unusual about the visit with Ambassador Menshikov. He was just arguing for more trade.

Very truly yours,

Luther H. Hodges

LHH/mb
Enclosures

FORM FC-848 (4-13-55)		U.S. DEPARTMENT OF COMMERCE BUREAU OF FOREIGN COMMERCE		DATE OF REPORT	
REPORT ON OFFICIAL TRAVEL, PARTICIPATION IN INTER-AGENCY MEETINGS OR DISCUSSIONS				February 27, 1961	
(1) INTER-AGENCY MEETING OR DISCUSSION			(2) OFFICIAL TRAVEL		
1. DATE OF MEETING OR DISCUSSION February 25, 1961.			2. MEETING OR DISCUSSION HELD AT Department of Commerce		
3. NAME OF COMMITTEE IF APPLICABLE			6. DATE(S) OF TRAVEL		
4. AGENCIES PARTICIPATING Commerce			7. TRAVEL ORDER NO.		8. DATE OF TRAVEL ORDER
			9. ITINERARY		
5. OTHER COMMERCE PARTICIPANTS Secretary Luther F. Hodges, Asst. Secretary Rowland Burnstan, Special Asst. Roy Morgan and Director of BFC, Loring K. Macy					
11. DETAILS OF OFFICIAL TRAVEL, MEETING, OR DISCUSSION AND DECISIONS REACHED					
<p>This meeting was held to discuss with Dr. Armand Hammer, President of the Occidental Petroleum Company, his recent trip to Libya, Italy and the U.S.S.R. Dr. Hammer was accompanied by U.S. Senator Albert Gore.</p> <p><u>Libya</u></p> <p>Dr. Hammer's comments regarding his visit to Libya were brief. The poverty in Libya was the worst he had ever seen. He felt that if the U.S. process for obtaining pure water from sea water is perfected and can be made to operate inexpensively, Libya should be one of the first recipients. According to Dr. Hammer, about 40 percent of the exploratory drilling operations for oil in Libya are paying off and pipe lines are being laid to transport the oil from the fields to the port. He added that the present ruler of Libya, who he thinks is about 70, is favorably disposed to the U.S. Dr. Hammer said that U.S. investments in Libya amount to \$300 million and that another \$300 million will be invested there by U.S. oil companies.</p> <p><u>Italy</u></p> <p>Dr. Hammer said that Mr. George Elliman of Commerce, now serving as our Commercial Attache in Rome, is doing an excellent job for U.S. business there. He commented on the excellent commercial library of the Embassy and the fact that telephone books were available for important cities of the United States.</p> <p>He suggested that U.S. commercial officers abroad should come back at periodic intervals to discuss their experience with U.S. businessmen and to give lectures before chambers of commerce. He noted that Italy is doing quite well economically and that the Italian consumer would be interested in obtaining U.S. refrigerators—small ones, that is, rather than the large sizes produced for the U.S. market. He pointed out that U.S. business should employ Italian speaking salesmen and equipment demonstrators.</p> <p>He also felt that participation in trade fairs was important, to display U.S. products, and that this activity should receive more support. The Soviet bloc countries are actively participating in Italian trade fairs and Dr. Hammer believes that bloc trade with Italy will grow substantially.</p>					
12. REQUIRED DISTRIBUTION:			13. OTHER DISTRIBUTION		
DIRECTOR BFC (4) (For use in Offices of Asst. Secretary and BFC Director) DIRECTOR, OFFICE OF ECONOMIC AFFAIRS DIRECTOR, OFFICE OF EXPORT SUPPLY DIRECTOR, OFFICE OF INTELLIGENCE AND SERVICES			Mr. Patten D. Allen		
14. REPORTED BY Ernest Rubin			15. TITLE Chief, USSR-EE Sections, European Div.		

U.S.S.R.

While in the Soviet Union Dr. Hammer saw many officials, including Prime Minister N. S. Khrushchev, Deputy Minister Mikoyan, A. F. Dobrynin of the Ministry of Foreign Affairs, and V. M. Vinogradov and M. V. Gribkov of the Ministry of Foreign Trade. Dr. Hammer speaks Russian and was able to converse with these officials without the aid of an interpreter.

Dr. Hammer's conversations in the U.S.S.R. related primarily to U.S.-Soviet trade relations and what could be done to improve them. He said he made it a point to avoid political discussions. The principal points developed by Dr. Hammer in his conversations dealt with:

(1) Crabmeat: Imports into the United States of Soviet crabmeat are administratively banned on the basis of a Treasury finding in 1951 that its production involves use of forced labor. The U.S.S.R. contention is that this product is not made by slave or "forced" labor. The U.S.S.R. will not permit any U.S. official group to make an investigation because such an investigation could be interpreted as an admission that such labor was employed. Khrushchev suggested that Dr. Hammer visit the area where crabmeat is canned and satisfy himself on this point. Dr. Hammer declined this offer because of prior commitments. Khrushchev indicated to Dr. Hammer that persons not connected with the U.S. Government would be acceptable for the purpose of visiting the crabmeat production or fishing areas.

(2) Lend-Lease: Dr. Hammer indicated that Khrushchev and Mikoyan want to expand U.S.-U.S.S.R. trade relations and that they are concerned with the settlement of the Lend-Lease debts. Mikoyan had stated that the U.S.S.R. could place \$1 billion worth of orders in the United States and that recently substantial orders for steel had gone to Italy and Sweden. Khrushchev told Dr. Hammer that he had given orders to settle the Lend-Lease debts but that the U.S. did not wish to treat the Soviet Union as it had treated the British. Khrushchev said that the British had been assured of credits following Lend-Lease settlement.

(3) Furs: Dr. Hammer mentioned that the Russians had objected to the U.S. ban on seven types of furs. It was noted that the ban on the Soviet furs became effective January 5, 1952, following legislation by Congress, Section 11 of the Trade Agreements Act of 1951.

(4) Other matters: Khrushchev told Dr. Hammer he would like to develop cattle similar to those in the United States, i.e., cattle that yield more than the 40-50 percent meat per head presently obtained in the Soviet Union. Dr. Hammer explained that U.S. producers get around 70 percent meat per head; Khrushchev was aware of this from his trip to the United States. Khrushchev was interested in importing U.S. prize bulls and agricultural specialists who would teach Soviet farmers U.S. techniques in animal husbandry. Secretary Hodges asked whether there is any official objection to exporting such animals or technical assistance. Mr. Macy stated that there would be no export license problem.

Khrushchev also told Dr. Hammer that the continuation and expansion of educational and cultural exchanges between the U.S. and the U.S.S.R. was something he desired.

With regard to rocket, sputnik and atomic energy achievements in the U.S.S.R., Khrushchev said that the proper people for these jobs were brought together and paid very well.

At the conclusion of the meeting Secretary Hodges thanked Dr. Hammer for his information,

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suggestions, and interest in helping the U.S. export program. Dr. Hammer made available to the Secretary memoranda of his conversations with Khrushchev, Mikoyan and Vinogradov.

Other Comments and Observations by Dr. Hammer

Dr. Hammer occasionally referred to his eight-year stay in the Soviet Union, 1922-1930. In 1922 he represented the Ford Company. Subsequently he built the first pencil factory in the Soviet Union. On mentioning to Khrushchev that he had been unable to visit this factory, Khrushchev gave orders which permitted Dr. Hammer and his wife to visit the plant. Some of the old employees recognized him. Many of the former hand operations are now done by automation.

He referred to his nephew (a Soviet citizen, a child of the marriage of his brother to a Russian woman in the 1920's). Through the intervention of Mrs. Eleanor Roosevelt, this nephew (now about 32 years old) was able to visit his father in the U.S. for a 2 month period. According to Dr. Hammer, the nephew has no desire to migrate from the U.S.S.R. The nephew is satisfied with the Soviet Union, particularly so since the death of Stalin.

Dr. Hammer commented on the ready availability of consumer goods in the stores of Moscow, and was particularly impressed by a fruit store there. He said that the contrast between the time he left the U.S.S.R. (circa 1930) and now is unbelievable.

Dr. Hammer went to London from Moscow. He said that his scheduled flight to London had been delayed and while he and his wife were waiting for their plane at the Moscow Airport, his wife heard an announcement that another plane was going to London. Dr. Hammer inquired about passage on this plane but was told that it was about to take off. The Intourist guide assigned to Dr. Hammer spoke to officials at the airport, mentioning "Khrushchev". Dr. Hammer and his wife were transferred to this plane, a new jet, and went to London as the sole passengers aboard.

DR. ARMAND HAMMER
595 MADISON AVENUE
NEW YORK 22, N. Y.
PLaza 8-0410

February 24, 1961

The Honorable Luther H. Hodges
Secretary of Commerce
Washington, D.C.

Dear Mr. Secretary:

Further to my letter to you of February 19th, I should like to report to you more in detail on my trip to Libya.

While this is a small country as far as population is concerned (approximately 1,500,000), it is important to us because of a large military base which we maintain there and because it is today probably the "hottest" area for discovery and development of oil reserves. From a country which had no oil five years ago, it has now a potential production of 115,000 barrels a day, practically all of which has been discovered in the last two years. Most of this production is in the hands of American firms. Standard Oil of New Jersey is now building 100 miles of pipeline which will enable them to market as much as 100,000 barrels daily by the end of this year.

It is estimated that American concerns will have spent in the neighborhood of \$300,000,000 in Libya by the end of this year and that this investment will be doubled within the next three to five years.

There are nineteen companies now operating in Libya and an equal number that are eager to do so. The potential reserves so far discovered have been estimated from a low of 1,000,000,000 barrels to a high of 5,000,000,000 barrels. Since the first exploration concessions were granted five years ago the nineteen companies have drilled 130 wells, found over 40 producers and established at least 11 oil fields making Libya unique in the world's oil countries.

The single danger to this infant oil industry which is dominated by American companies is the possible lack of stability of the

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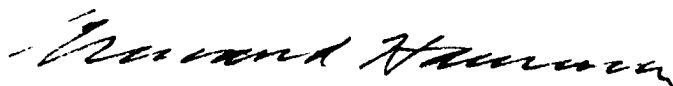
government and the bureaucratic red tape and corruption. The people are proud and as long time colonists are inclined to regard foreigners with a certain amount of distrust. They are getting a lot of advice from their Arab neighbors including Nasser but so far this has been neutralized by the pro-American attitude of the King. Since the King is an old man (70), there is a real danger of a change in the pro-American policy when he passes away.

Our Ambassador Mr. Wesley Jones is doing a good job and has the confidence of the King. I had several meetings with Mr. Jones and with the Economic Counsellor Mr. Duncan-Peters. The latter is well versed in Libyan affairs and has been of great assistance to Americans doing business in Libya. Unfortunately, not all Americans have taken his advice and some of the American business men have come to grief by entering into business relationships with some Libyans of shady reputation who have been peddling their alleged influence with the King and his Ministers.

In view of the great importance of the potential oil reserves for our country, I recommend that we give every assistance to our trade representatives in Libya in developing closer commercial ties. This should not only cover the field of developing exports and imports but in helping them to develop their agriculture. Libya has a very large area on which many things could be grown. Except for a small fringe of land near the seacoast, their principal problem is lack of water. If our government's present program of developing equipment for the practical conversion of sea water to fresh water is successful, we should see to it that Libya is one of the first countries to whom we extend the benefits of this work.

I understand that there will be a trade fair in Libya next February and that we have agreed in principle to participate and are awaiting Congressional appropriation of funds. In view of the great stake we have in this country, we should make every effort to participate in this fair with every type of American goods suitable for the Libyan market.

Sincerely yours,



Armand Hammer

AH.G

DR. ARMAND HAMMER
595 MADISON AVENUE
NEW YORK 22, N. Y.
PLaza 8-0410

February 24, 1961

The Honorable Luther H. Hodges
Secretary of Commerce
Washington, D. C.

Dear Mr. Secretary:

As stated in my letter to you of February 19, 1961, with reference to my visit to the U.S.S.R., I was unusually fortunate in renewing some of my former contacts with Soviet trade officials, including the former Foreign Trade Minister and now Deputy-Prime Minister, Anastas Mikoyan.

At the suggestion of Mr. E. Freers, the Charge d'Affaires of the U. S. Embassy and Mr. William Morrell, Jr., the Economic Councillor, I have dictated the enclosed memoranda of my talks with

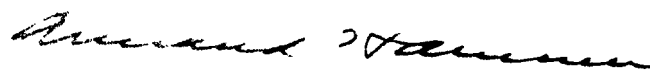
1. V. M. Vinogradov, Chief of the Administration of Trade with Western Countries and M. V. Gribkov, Chief of the American Trade Section, on February 14, 1961.
2. Deputy Prime Minister A. I. Mikoyan on February 15, 1961
3. Prime Minister N. S. Khrushchev and A. F. Dobrynin, Chief of American Countries Division, Minister of Foreign Affairs, on February 17, 1961.

I enclose a copy of the speech delivered by Sir George Bolton, chairman of the Bank of England, referred to by Mikoyan in his talk with me. I obtained this from Sir George Bolton's office while passing through London on my way to the U. S. A.

DR. ARMAND HAMMER
505 MADISON AVENUE
NEW YORK 22, N. Y.
PLARA 8-0410

The rest of my report on my trip to the U.S.S.R.
will be given to you in person.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Armand Hammer".

Armand Hammer

AH/jr

DR. ARMAND HAMMER
595 MADISON AVENUE
NEW YORK 22, N. Y.
PLAFA 8-0410

February 23, 1961

The Honorable Luther M. Hodges
Secretary of Commerce
Washington, D.C.

Dear Mr. Secretary:

Further to my letter of February 5th, 1961 in regard to my trip to Italy, I wish to report the following.

The Commercial Attache, Mr. George T. Elliman, is doing a splendid job trying to expand our export trade to Italy. As you undoubtedly know, the major stumbling block to our exports prior to 1960 was a virtual embargo through discriminatory licensing procedure against a great many industrial and consumer items produced in the USA. Toward the end of 1960 this was rectified to a large extent in the industrial area but still continues regarding certain agricultural goods and the Commercial Attache should be encouraged to continue his efforts to have this discrimination removed.

I inspected the Commercial Information Center set up at the Embassy and was very much impressed by the businesslike way in which assistance is being rendered to business men, both American and Italian. There is an excellent library with every type of reference book one could think of and a capable secretary to answer inquiries, both telephone and written, and in person.

There should be more support given our trade officials in Italy in participating in trade fairs. The officials have recommended that an agency be set up in the Department of Commerce or Department of State charged with responsibility for local exhibits. However, as far as I know, there has been no action taken on this recommendation. On the other hand, the Communist bloc has redoubled their efforts in this area and there has been a loss to us of commercial prestige by comparison.

I would suggest that the Commercial Attache be invited to Washington to set forth his ideas of how American participation

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in these fairs can be promoted to obtain the maximum commercial benefit for American products in Italy. This should be coordinated with a campaign to interest American manufacturers in taking an active part in these fairs. There has only been token participation in the past few years.

It might be advisable to set up luncheons in conjunction with the Chamber of Commerce in various industrial and agricultural centers and arrange for the Commercial Attache to deliver a talk to American business men pointing out the opportunities for the expansion of exports in Italy and outlining to them what concrete steps they could take to obtain a share of this business.

I enclose a list of items which have current export possibilities to Italy. I believe that most of these products could be marketed on a competitive basis in particular sections of Italy. I understand that this list was forwarded to the Department toward the latter part of last year. It would be advisable to follow-up on this and see what, if anything, has been done to acquaint American business men in these fields with the market potential. Perhaps many American business men could be stimulated to exhibit their wares at the many local fairs which take place in Italy and where other countries, especially the Communist bloc countries are playing such an active role.

In this connection, it should be pointed out to American business men who wish to engage in selling their products to Italy that if this business is to be obtained and expanded, they should try to employ Italian speaking salesmen and demonstrators in the use of their equipment. For example, as I pointed out in my letter to you of February 5th, some of the business people I spoke to felt there was a great need for IBM computers but that there was a shortage of experienced operators.

The above suggestions are not intended to be complete inasmuch as my time was very limited and I am sure that our own Commercial Attache and representatives in Italy will have many additional suggestions to make. It is important that

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their suggestions are sorted out and followed through if we are to take advantage of the opportunities which await in expanding our export trade to Italy.

Very sincerely yours,

Armand Hammer

ah.g

Items liberalized as of June 15, 1960, and not previously sold by United States in Italy because of the inability to obtain import licenses.

Meat and meat offals
Potato starch
Sulphuricinoleates, sulpho-oleates, sulpho-iosinates, sulpho-apththerates
and similar organic surface-active agents
Film in rolls, perforated and unperforated
Preparations containing natural or synthetic organic insecticides,
anticryptogamic or fungicidal products
Non-modified amionplasts
Unmercerized, woven cotton fabrics, unbleached, bleached, dyed, multi-
colored and printed
Woven fabrics, also felted, impregnated or coated, for industrial use,
of pure or mixed wool
Compressors
Machinery for filling, closing, sealing, capsuling or labelling bottles
or other containers
Heat exchange units
Automatically controlled taps, cocks and valves, pressure regulators and
pressure reducing valves
Complete telephone sets
Electrical apparatus for making, breaking or protecting electrical
circuits
Incandescent electric lamps
Record players, record changers
Sound recorders, including dictating machines
Toys (toy arms, mechanical toys, etc.) made of metal, rubber, wood,
plastics or other materials

Items liberalized in June 1959 or January 1960 and which United States exporters have not exported widely into Italy.

Unshelled eggs, whole
Egg yolks
Paints and varnishes
Cosmetics
Interchangeable tools for hand tools or machine tools and power-operated
hand tools with working part of diamonds (or diamond agglomerates) of
hard alloys or of other materials
Reciprocating, rotary and centrifugal pumps
Machinery for making paper and paper board

DEPARTMENT OF COMMERCE
SECRETARY'S
CORRESPONDENCE UNIT

CLARIDGE'S LONDON

1961 FEB 23 PM 12 54

TELEPHONE, MAYFAIR 8860

TELEGRAMS, CLARIDGES LONDON

19th February 1961.

The Honorable Luther H. Hodges,
Secretary of Commerce
Washington 25, D.C.

Dear Mr. Secretary,

Since writing you on February 5th, 1961, I completed my survey in Rome and proceeded to Libya, where I spent a week in Tripoli. I met there with our Ambassador, Mr. Jones, and several of the men in the Economic Section, headed by Mr. Duncan-Peters, who briefed me on the local situation. I also met Mr. Steven Conner of the United States Operations Mission to Libya, who was very helpful. I met several Libyan business and professional men, as well as oil men, representing the Libyan Government and private American interests, including representatives of our own company. I am convinced that there is a great future for American oil interests in Libya, where we now predominate, providing the political situation does not deteriorate. I shall report to you fully on this situation in person.

I then proceeded to the U.S.S.R., where I reported to Mr. Edward Freers, the Chargé d'Affaires, Ambassador Thompson, as you know, being in Washington. I was fully briefed by Mr. Freers, and especially by Mr. William Morell, Jr., the Economic and Commercial Counselor, who was of great assistance to me during my stay in Moscow. I was unusually fortunate in my contacts, not only with the lesser officials of the Department of Foreign Trade, but also with Mikoyan, with whom I renewed an old friendship when I brought the first American tractors to the U.S.S.R. as the representative of Mr. Henry Ford in 1922.



CLARIDGE'S LONDON

TELEPHONE, MAYFAIR 8860

TELEGRAMS, CLARIDGES LONDON

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19th February 1961.

As I was about to leave Moscow the Embassy received word that Mr. Khrushchev would be glad to see me if I would stay over another day. I spent over 2 hours with him in his Kremlin office, during which we had a very friendly talk and covered the entire subject of Soviet-American trade in peaceful goods and what measures could be taken to expand same. When I returned to the Embassy and reported the details of my conversation, it was considered of sufficient importance to be put in classified memoranda to the State Department with copies to you. In view of the fact that there were many things stated in my interview with both Mikoyan and Khrushchev which could be conveyed better in person, I have decided to postpone my trip, temporarily, around the world and to return to Washington to make a personal report to you, and any other interested members of our Government.

I will be leaving on Wednesday, via Air France, as this is the first 'plane I can get out owing to the strike of engineers on all the American lines. I will be in New York Wednesday afternoon and hope to be in Washington Thursday.

With kind regards,

Sincerely yours,


Dr. Armand Hammer.

cc Senator Albert Gore.

MEMORANDUM OF CONVERSATION*

February 15, 1961
5 p.m.
(1 hr. 35 min.)

SUBJECT: US-Soviet Trade Relations

PLACE: Kremlin

PARTICIPANTS: A.I. Mikoyan

Armand Hammer

V.I. Kuzminski (Chief of Interpreters Section, Ministry
of Foreign Trade)

1. Although an interpreter was present my talk with Mikoyan was in Russian almost entirely. It was extremely friendly and began with reminiscences of our meeting 39 years ago at Rostov when as the agent for the Ford Motor Company I had arranged a demonstration of the first shipment of American tractors to arrive in the USSR since the revolution. At that time he was Secretary of the local soviet. During part of the meeting he repeated many of the points made by Vinogradov the day before (see separate Memorandum of Conversation). However, a number of additional points emerged which may be of interest:

(a) Regarding US prohibitions against imports of Soviet crab meat he stated that the USSR could not possibly give any certificate or submit to any investigation since this could be interpreted as an admission that "slave" or "forced" labor had been employed. In any event "forced" labor would never be used to handle food products as this would be "unsanitary" and "dangerous" and

* This does not purport to be a precise transcript of the discussion, but is rather my best recollection assisted by rough long-hand notes.

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as he remarked, "We have to eat this crab meat ourselves." If such labor had been employed in fishing activities the Japanese would have observed them since they often fish side-by-side with the Soviet fishing vessels. At one time, he said, Mr. Dillon had agreed that this restriction should be removed. It is clear that this is a source of irritation to the USSR. According to his information this decision stemmed from an administrative finding and should be removed administratively.

(b) He stated that the US and the USSR should attempt immediately to remove those obstacles to better trade relations which can be disposed of most easily. Major problems such as a lend lease settlement, credits, and the granting to the USSR of "most favored nation" treatment required legislation and will take time. Mikoyan believes that even Dulles before he died favored the granting of credits to the USSR, settlement of lend lease, and the expansion of trade between the two countries. If lend lease could be settled and credits arranged the USSR could place orders in the US in the amount of one billion dollars. In this connection Mikoyan said that these orders would not include "military items" -- and in his words, "after all we can make these better than you can. For example, we are ahead of you in rocket development."

(c) He was critical of former Secretary of Commerce Strauss who only wanted to discuss the religious issues in the USSR and of former Secretary Mueller for going on TV to defend his alleged prohibition of the sale of 10,000 small Soviet automobiles in the US after a contract had already been signed between the USSR and an American importer. Neither of these Secretaries were in his opinion interested in any way in improving trade between the US and the USSR. He has never met Mr. Hodges but intimated he would be glad to meet with him and hopes the new Secretary will have a more constructive approach to this matter.

(d) He had understood earlier from Dillon that there might be some chance for US credits but that Nixon on his visit to the USSR indicated that Dillon could not have said this. Fortunately, according to Mikoyan, the interpreter had his notes of the conversation which Mr. Mikoyan had given to Ambassador Thompson. "I do not make statements which I cannot back up," he said.

(e) The USSR had a few days ago placed an order with the Swedes for delivery of 135,000 tons of steel pipe and with the Italians for 240,000 tons. No long credits were involved. "Orders like these could have been placed in the US and it would help to solve the US unemployment problem at a time when the US steel industry was operating at only 50 percent of capacity," he said.

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(f) He said that while credits were desirable, a substantial trade could still be done with the US on a cash basis.

(g) He stated that Khrushchev had received a communication from President Kennedy on the question of reciprocal direct air flights between the US and USSR.

2. I gained the impression that the Soviets are eager to improve relations and that they are clearly anxious to expand US-Soviet trade. However, I pointed out to Mr. Mikoyan that it was my opinion that the USSR would have to create a better atmosphere in the US before the new administration would have any chance for success in getting Congress to pass the necessary legislation to permit the "most favored nation" treatment for the USSR and the granting of credits. I told him that the good will among the American people which had reached its peak following Mr. Mikoyan's visit to the US in early 1959 and by Mr. Khrushchev's visit in the fall of 1959, had considerably deteriorated. I did not want to get into a controversy over the rights or wrongs of the USSR or US position in regard to the U-2 incident but the fact remained that if Russian trade is to be expanded in any considerable extent an attempt must be made to obtain the support of American public opinion. This would have to be a slow process and there must be evidence of good will and good faith on both sides.

I pointed out that in my opinion settlement of the lend lease debt would go a long way toward creating the proper atmosphere for changing the "mfn" situation and obtaining credits for Russian trade. He said that Mr. Khrushchev had given orders to settle the lend lease debt when he was in Washington. However he said the Russians wanted the assurance that they would be treated in the same manner as the English were in this regard, namely that parallel negotiations be conducted regarding the granting of credits and a trade agreement. He said the US and the UK understood these matters were tied together and dependent on each other. However, in the case of the USSR the authorities in Washington refused to negotiate on the same basis. Mr. Mikoyan said, "How can we make our payments under a lend lease debt settlement, and pay for the orders we would want to place if we did not receive credits and if we could not sell our goods on the same conditions as other countries sell to the U.S?"

3. I said that improved relations could be assisted by increasing tourist trade both ways and cultural exchanges. In this connection I made the suggestion to Mr. Mikoyan that Russia send a representative collection of their art treasures from their leading museums to the United States. This has been done in the past by other countries with great success. The impact of a

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representative group of paintings from, for example, the Hermitage Museum in Leningrad would be enormous. In order to make it strictly non-commercial and non-political I suggested that Mrs. Eleanor Roosevelt be appointed chairman of a committee to supervise this undertaking and that any benefits from admission should go to the Eleanor Roosevelt Cancer Foundation. I said that I believed the first exhibition could be held at the National Art Gallery in Washington, D.C., and then at the larger cities in the US. such as New York, Chicago, San Francisco, etc. Mr. Mikoyan said he thought this was a very good idea and said he would speak to the proper authorities. I asked him to have them referred to Mr. Leslie Brady, the Cultural Counselor of the American Embassy in Moscow, and that I would cooperate with Mr. Brady in following through.

4. I showed Mr. Mikoyan the sales catalogue of my last cattle sale which was the only Angus cattle sale that ever ran over a million dollars. He was extremely interested in the development of the pure bred cattle business in the US and wanted to know its significance with respect to meat production and commercial cattle raising. I explained to him that thanks to the pure breeders in the US there had been an upgrading in the quality and a reduction in the meat cost to the American people. With the same amount of feed and care farmers can now produce much more meat at no greater cost. This is possible because we have developed excellent breeding stock and better methods of breeding. I offered to send him one of my bulls as a gift which they could use for experimenting. He wanted to know if there was available an expert in the US who could come over and teach them how to use the methods that had been successful in the US. I told him that I know of several such experts and that I would be glad to talk to them about this when I got back to the United States

5. As in my conversation with Vinogradov I recognised a number of old Soviet arguments during this conversation but I saw no purpose in refuting them. I felt it much more important to elicit Mikoyan's views and to search for areas of possible agreement. I will withhold any conclusions until I have reviewed this meeting with appropriate authorities in Washington.

Armand Hammer.

MEMORANDUM OF CONVERSATION*

February 14, 1961
4 p. m.

SUBJECT: US-Soviet Trade Relations

PLACE: Office of V. M. Vinogradov, Ministry of Foreign Trade,
Moscow

PARTICIPANTS: V. M. VINOGRADOV - Chief of the Administration of
Trade with Western Countries

M. N. GRIBKOV - Chief of the American Trade Section

KUZMINSKI - Interpreter

Armand HAMMER

OBSERVER: W. N. Morell, Jr. - Counselor for Economic Affairs,
American Embassy, Moscow

1. I opened the meeting by describing my previous experiences in the Soviet Union and my American business activities during the past 30 years. While I stressed that I had undertaken this trip in the capacity of a private citizen I went on to explain that Senator Gore and the Secretary of Commerce, Mr. Hodges, had asked that I survey possibilities for improving US-Soviet trade. In the course of these remarks it was emphasized that improvements in this trade would take time but that it would be helpful to make some small beginnings. Changes which require administrative action probably could be effected more easily than those requiring legislation. I stated my personal view that conceivably, for example, some change might be made relieving the prohibition against imports of Soviet crab meat. Eventually it may be possible to relieve prohibition against imports of certain furs even though this would require legislation. While any change in the present difficulties over "mfn" would be extremely difficult and would involve Congressional action, this is a subject that could be re-examined. The main purpose in presenting my views was to stress that in my opinion the new administration would likely

* This does not purport to be a precise transcript of the discussion, but is rather my (and Mr. Morell's) best recollection assisted by rough long-hand notes.

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seek ways of improving relations and I wished to present an optimistic view of what might be done over time in the proper atmosphere. As a businessman I studiously avoided political questions and sought only to explore areas which offered some promise for improved trade.

2. In response to my request for Soviet views on this subject Mr. Vinogradov made the following points:

- (a) Soviet trade with Western Europe is expanding whereas trade with the US is very "weak". The US alleges that (1) the USSR is dumping; (2) that the USSR forces its trading partners into undesirable trading activities; and (3) that the USSR is disrupting Western markets. The US alleges that the USSR has nothing to sell to the US and at the same time complains about the volume of Western European trade with the USSR.
- (b) Three things might be done to improve US-Soviet trade:
 - (1) Soviet buyers must have some assurance that they can buy "peaceful" goods in the US markets in the sense that contracts negotiated by US firms and Soviet trading organizations must be carried through without government interference once the US firm has a government export licence. (I indicated that this seemed like good business to me and that in my opinion the new administration probably would take a similar view.) In this connection he stressed that individual Soviet factories must be able to plan with some certainty on export deliveries from American manufacturers. The USSR wants to buy and US firms want to sell. He noted particularly the desire to buy chemical equipment as well as equipment for light industry (e.g. paper making machinery and equipment for textile manufacturing).
 - (2) It is also important that the USSR be able to sell its products in the US with a minimum of restrictions. The lack of "mfn" treatment for Soviet products has been a great handicap. Customs duties on Soviet manganese, for example, are four times that on manganese imports from other countries. I interjected that something might be done to put vodka on a more competitive basis. Not only should we explore problems of customs duties but better packaging and advertising as well.

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- (3) There should be a better psychological atmosphere among US businessmen. Some businessmen for example have an opportunity to trade with the Soviet Union but don't wish to accept the business. They want to put these opportunities aside until there are no other business prospects. In addition the government has discouraged this trade in border-line cases requiring licenses by deciding to deny the US manufacturer the right to sell his product. This kind of decision will be affected by the attitude of the new administration.
- (c) Some people in the United States argue, according to Vinogradov, that increased US-Soviet trade will bring a decline in US trade with other countries. This will not be so because the general level of US trade will continue to rise and will be able to accommodate larger trade with the USSR.
- (d) The US, Vinogradov said, has not shown good business sense. Western Europe countries have very shrewdly appeared to support US efforts to restrain Soviet trade while they actually have sought to expand their own trade with the Soviet Union.
- (e) Vinogradov stressed that the USSR will need to gear its exports to the US market. This will take time because of the need to establish business contacts, advertise, etc. This will require a big investment of funds and the USSR must have some assurance that it can compete in the US market. In any event, said Vinogradov, we recognize that this situation cannot be changed overnight.
- (f) In an aside Vinogradov indicated that they would like to see Mr. Morell officially designated by Washington as a Commercial as well as Economic Counselor. This would be a small indication of US willingness to seriously consider possibilities for expanded trade.
- (g) Returning to the main trend of his presentation, Vinogradov chided the US for denying exports to the USSR which the USSR later was able to produce for itself. This inspired an improvement in Soviet technology and only cost the USSR a small loss of time. As a consequence US business lost the opportunity for profit.

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3. There was a very brief discussion of the prospects for an air agreement between the U.S. and the USSR but this brought no significant response from Vinogradov as this subject does not fall within his field of responsibility.

4. It was interesting that nothing was said about credits and that Vinogradov seemed to recognize that an improvement in trade relations would take time. I recognized a number of Soviet mis-statements, propaganda points, and old arguments but I felt it would be inappropriate in this kind of exploratory discussion to argue or to belabor these points. Rather, I was seeking to find some areas of agreement which -- under appropriate political conditions -- might lead to an improvement in trade relations.

5. Before reaching any conclusions with respect to this discussion I think it would be useful to discuss with the proper authorities in Washington the situation regarding a number of the points raised above.

Dr. Armand Hammer